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FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

LETTERS OF INTENT IN RELATION TO THE PROPOSED FINANCE LEASING OF COAL MINING RELATED EQUIPMENTS

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board announces that on 13 January 2014 (after trading hours), Sino Top, an indirect wholly-owned subsidiary of the Company, entered into four Letters of Intent with Shanxi Zhengbang, Shanxi Jinda, Jinhui Kaichuan and Shanxi Fuxin respectively in relation to the proposed finance leasing of the Shanxi Zhengbang Equipments, Shanxi Jinda Equipments, Jinhui Kaichuan Equipments and Shanxi Fuxin Equipments respectively, which are subject to the terms and conditions contained therein.

Further announcement will be made by the Company in relation to the Proposed Transactions as and when appropriate to comply with the disclosure and where applicable, the approval requirements under the Listing Rules.

Shareholders of the Company and/or investors should note that the Proposed Transactions may or may not materialize, as no definitive finance leasing agreements have been executed between and among the parties. Accordingly, shareholders of the Company and/or investors are advised to exercise caution when dealing in the shares of the Company.

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THE LETTERS OF INTENT

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Date: 13 January 2014 (after trading hours)

Parties to the four Letters of Intent:

- (1) Sino Top
Shanxi Zhengbang as proposed lessee
- (2) Sino Top
Shanxi Jinda as proposed lessee
- (3) Sino Top
Jinhui Kaichuan as proposed lessee
- (4) Sino Top
Shanxi Fuxin as proposed lessee

Major terms of the Letters of Intent: It is agreed between the parties that:

1. The Proposed Lessee anticipates that it will be in demand of its respective Equipments in 2014 for its coal mining exploitation. Upon the establishment of the WFOE, the WFOE will provide the Proposed Lessee or its subsidiaries with the finance leasing services in respect of its respective Equipments.

2. Upon the establishment of the WFOE, the Proposed Lessee or its subsidiaries will enter into definitive finance leasing agreement(s) with the WFOE, pursuant to which, the WFOE, as the lessor, will purchase the respective Equipments in accordance with the requirements of the Proposed Lessee or its subsidiaries and will lease such Equipments to the Proposed Lessee or its subsidiaries for their use. The amount payable by the Proposed Lessee or its subsidiaries for leasing its respective Equipments will be determined between the WFOE and the Proposed Lessee or its subsidiaries based on the then fair market value. The actual lease payment and other terms of the Proposed Transactions will be set out in the definitive finance leasing agreement(s) to be entered into by the parties in accordance with the applicable laws and regulations and market practice (subject to agreement by the parties).
3. The entering into of the definitive finance leasing agreement(s) is conditional upon the establishment of the WFOE. If the WFOE has not successfully obtained the business license and paid up the registered capital in full by 31 March 2014, the Letters of Intent shall be terminated automatically.

As disclosed in the announcement of the Company dated 10 January 2014, Shanxi Provincial People's Government has issued the certificate of approval in respect of the establishment of the WFOE. Sino Top is currently in the process of obtaining the business license for the WFOE.

Reasons for the Proposed Transactions

The Company is principally engaged in the manufacturing of an extensive assortment of knitwear products ranging from classically styled wardrobe basics to high quality fashion apparel.

It is the intention of the Company to diversify into the business of finance leasing of coal mining related machineries and equipments to diversify the business risk on single segment of manufacturing and trading of high quality fashion apparels, the management of the Group is seeking new revenue stream proactively. The Directors consider that the finance leasing industry in the PRC has a vast room for development and consider the Proposed Transactions would allow the Company to diversify into the finance leasing business in the PRC and will be in the interest of the Company and its shareholders as a whole.

The Proposed Transactions, which if materialize, may constitute notifiable transactions on the part of the Company under the Listing Rules. Further announcement will be made by the Company in relation to the Proposed Transactions as and when appropriate to comply with the disclosure and where applicable, the approval requirements under the Listing Rules.

Information of the Proposed Lessees

Shanxi Zhengbang

Shanxi Zhengbang is a coal mining company in the PRC. It is a subsidiary of Shanxi Fenxi Mining (Group) Co., Ltd.* (山西汾西礦業(集團)有限公司) and its coal mine is located at Yushuping Village, Yima Township, Xiaoyi City, Shanxi Province.

On 20 November 2013, Sino Top has entered into an agreement with Top Wealth Enterprises Limited pursuant to which Top Wealth Enterprises Limited has agreed to transfer 8% equity interest in Shanxi Coking Coal Machinery Electric Co., Ltd. which is owned as to 55% by Shanxi Coking Coal Group Co., Ltd. (through its subsidiaries including Shanxi Fenxi Mining (Group) Co., Ltd.* (山西汾西礦業(集團)有限公司) and 45% by Top Wealth Enterprises Limited. As at the date of this announcement, such transaction is yet to be completed. For further details of such transaction, please refer to the announcement of the Company dated 20 November 2013.

Shanxi Jinda

Shanxi Jinda is a coal mining company in the PRC and its coal mine is located at Xiajingfeng Village, Yima Township, Xiaoyi City, Shanxi Province.

Jinhui Kaichuan

Jinhui Kaichuan is a coal mining company in the PRC. It is a subsidiary of Shanxi Jinhui Coking Coal Co., Ltd.* (山西金暉煤焦化工有限公司) and its coal mine is located at Xiazhuang Village, Dawu Town, Fangshan County, Shanxi Province.

Shanxi Fuxin

Shanxi Fuxin is a coal mining company in the PRC. It is a subsidiary of Shanxi Pingding Guzhou Coal Mining Co., Ltd.* (山西平定古州煤業有限公司) and its coal mine is located at Nanguan Village, Pingding County, Yangquan City, Shanxi Province.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanxi Zhengbang, Shanxi Jinda, Jinhui Kaichuan and Shanxi Fuxin and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules).

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors
“Company”	Fornton Group Limited (stock code: 1152), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Equipments”	Shanxi Zhengbang Equipments, Shanxi Jinda Equipments, Jinhui Kaichuan Equipments or Shanxi Fuxin Equipments
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jinhui Kaichuan”	Shanxi Fangshan Jinhui Kaichuan Coal Mining Company Limited* (山西方山金暉凱川煤業有限公司), a company established in the PRC with limited liability
“Jinhui Kaichuan Equipments”	coal mining related equipments to be leased to Jinhui Kaichuan for coal mining with an aggregate value of approximately RMB126.78 million (equivalent to approximately HK\$162.45 million)
“Letters of Intent”	<p>the legally binding letter of intent dated 13 January 2014 entered into between Sino Top and Shanxi Zhengbang in respect of the proposed finance leasing of the Shanxi Zhengbang Equipments</p> <p>the legally binding letter of intent dated 13 January 2014 entered into between Sino Top and Shanxi Jinda in respect of the proposed finance leasing of the Shanxi Jinda Equipments</p> <p>the legally binding letter of intent dated 13 January 2014 entered into between Sino Top and Jinhui Kaichuan in respect of the proposed finance leasing of the Jinhui Kaichuan Equipments</p> <p>the legally binding letter of intent dated 13 January 2014 entered into between Sino Top and Shanxi Fuxin in respect of the proposed finance leasing of the Shanxi Fuxin Equipments</p>
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Lessee”	Shanxi Zhengbang, Shanxi Jinda, Jinhui Kaichuan or Shanxi Fuxin, being the proposed lessee under the relevant Letter of Intent
“Proposed Lessees”	Shanxi Zhengbang, Shanxi Jinda, Jinhui Kaichuan and Shanxi Fuxin, being the proposed lessees under the Letters of Intent
“Proposed Transactions”	the proposed transactions to be entered into between Sino Top and/or the WFOE and each of Shanxi Zhengbang, Shanxi Jinda, Jinhui Kaichuan and Shanxi Fuxin under the Letters of Intent
“RMB”	Renminbi, the lawful currency of the PRC
“Shanxi Fuxin”	Shanxi Pingding Guzhou Fuxin Coal Mining Company Limited* (山西平定古州富鑫煤業有限公司), a company established in the PRC with limited liability
“Shanxi Fuxin Equipments”	coal mining related equipments to be leased to Shanxi Fuxin for coal mining with an aggregate value of approximately RMB108.20 million (equivalent to approximately HK\$138.70 million)
“Shanxi Jinda”	Shanxi Coal Transportation Group Jinda Coal Mining Company Limited* (山西煤炭運銷集團金達煤業有限公司), a company established in the PRC with limited liability
“Shanxi Jinda Equipments”	coal mining related equipments to be leased to Shanxi Jinda for coal mining with an aggregate value of approximately RMB135.00 million (equivalent to approximately HK\$173.00 million)
“Shanxi Zhengbang”	Shanxi Fenxi Zhengbang Coal Mining Company Limited* (山西汾西正幫煤業有限公司), a company established in the PRC with limited liability
“Shanxi Zhengbang Equipments”	coal mining related equipments to be leased to Shanxi Zhengbang for coal mining with an aggregate value of approximately RMB154.30 million (equivalent to approximately HK\$197.80 million)
“Sino Top”	Sino Top Capital Resources Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“WFOE” Shanxi Huawei Finance Leasing Company Limited* (山西華威融資租賃有限公司), a wholly-owned subsidiary of Sino Top to be set up in the PRC to carry out finance leasing business

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

Shareholders of the Company and/or investors should note that the Proposed Transactions may or may not materialize, as no definitive finance leasing agreements have been executed between and among the parties. Accordingly, shareholders of the Company and/or investors are advised to exercise caution when dealing in the shares of the Company.

For the purposes of illustration only, any amount denominated in RMB in this announcement and translated into HK\$ was translated at the rate of RMB1.00 = HK\$1.2814. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

By order of the Board
Fornton Group Limited
Yam Tak Cheung
Chairman

Hong Kong, 13 January 2014

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Yam Tak Cheung (Chairman), Ms. Wong Kan Kan Kandy, Mr. Wong Tat Wai Derek, Mr. Zheng Qiang and Mr. Han Hanting, one non-executive Director, namely, Mr. Chan Yee, Herman and three independent non-executive Directors, namely, Mr. Wang Wei Hung Andrew, Mr. Cheng Dickson and Mr. Sin Ka Man.

* *For identification purposes only*